

EXPOSURE DRAFT

EXPLANATORY STATEMENT

Issued by authority of the Assistant Treasurer and Minister for Financial Services

Commonwealth Inscribed Stock Act 1911

Commonwealth Inscribed Stock Regulations 2025

Section 58 of the *Commonwealth Inscribed Stock Act 1911* (Act) provides that the Governor-General may make regulations, not inconsistent with the Act, prescribing all matters required or necessary or convenient to be prescribed for carrying out or for giving effect to the Act or for the conduct of any business at or in connexion with any Registry.

The purpose of the *Commonwealth Inscribed Stock Regulations 2025* (the Regulations) is to remake the *Commonwealth Inscribed Stock Regulation 2015*, which is due to sunset on 1 October 2025 under the *Legislation Act 2003*. The *Legislation Act 2003* provides that all legislative instruments, other than exempt instruments, progressively ‘sunset’ according to the timetable set out in the *Legislation Act 2003*. When a legislative instrument sunset, it is automatically repealed.

The Regulations are necessary to ensure the continued operation of the Commonwealth Inscribed Stock framework under the Act. They prescribe rules for the operation of the Registry, which is central to the administration of stock issued under the Act. This includes the maintenance of the inscribed stock ledger (the record of legal ownership), processes for transfer and transmission of ownership, and mechanisms for the replacement or payment of bearer securities.

Most stock on issue, as defined in the Act, though not all, is held by a central nominee such as the Australian Central Securities Depository. In these cases, investors hold and trade a beneficial interest in the stock rather than owning the stock directly or being recorded in the inscribed stock ledger. The inscribed stock ledger records only legal owners of stock. This includes both central nominees and individuals who hold stock directly in their own name. As a result, the Regulations apply only to those legal owners whose names appear in the stock ledger. Beneficial interests held by other investors, which are not recorded in the stock ledger, are not within the scope of the Regulations.

Under the Act, bearer securities were also issued, which are paid on presentation by the owner and not inscribed in a stock ledger. Although bearer securities are no longer issued, some bearer securities remain outstanding and are still payable on presentation. The Regulations prescribe a mechanism for the payment of bearer securities issued under the Act that have been defaced, lost, stolen or destroyed. These provisions ensure that holders of bearer securities can access appropriate remedies, while safeguarding against fraudulent claims.

The Regulations continue to prescribe securities that were previously issued under the Act as prescribed securities for the purposes of the Act. They also provide that certain provisions of the *Treasury Bills Act 1914* apply to those prescribed securities.

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The Act does not specify any conditions that need to be satisfied before the power to make the Regulations may be exercised.

The Regulations are a legislative instrument for the purposes of the *Legislation Act 2003* and are subject to sunseting and disallowance. The Regulations commence on 1 October 2025, the same day the current instrument sunsets.

Details of the Regulations are set out in Attachment A.

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Details of the *Commonwealth Inscribed Stock Regulations 2025*

Part 1 — Preliminary

Section 1 – Name

This section provides that the name of the Regulations is the *Commonwealth Inscribed Stock Regulations 2025* (the Regulations).

Section 2 – Commencement

Schedule 1 to the Regulations commenced on 1 October 2025.

Section 3 – Authority

The Regulations are made under the *Commonwealth Inscribed Stock Act 1911* (the Act).

Section 4 – Schedules

This section provides that instruments listed in the Schedule are amended or repealed as stated in the Schedule. Schedule 1 repeals the prior *Commonwealth Inscribed Stock Regulations*.

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend or vary any such instrument.

Section 5 – Definitions

The Regulations included the following definitions for terms included in the instrument:

Act means the *Commonwealth Inscribed Stock Act 1911*.

approved form means a form approved under section 24.

bearer security has the meaning given by section 19.

owner means an owner of stock or the owners of stock in a joint account.

stock ledger means a Stock Ledger at a Registry.

Treasury Bill has the same meaning as in the *Treasury Bills Act 1914*.

Part 2 — Stock

Section 6 – Definition of certified copy – prescribed persons

This section defines who may certify a copy of an entry or an extract of an entry in a Stock Ledger or document under the Act.

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Part 3 — Stock

Division 1—Creation and issue of stock

Section 7 - Prescribed stock for subsection 4(1)

This section provides that Treasury Bills are prescribed as Stock under the Act.

Division 2 — Registries

Section 8 - Correction of stock ledgers

This section specifies that the Registrar of stockholders under the Act must correct the register, if satisfied that a correction is required upon request from a person.

Section 9 – Providing the Registrar with certain assistance

This section provides that the Registrar may request a person to provide supporting documents, an indemnity to the Registrar's satisfaction, or to verify their identity when a person requests the Registrar to perform a function or exercise a power under the Act.

Section 10 - Specimen signatures

This section provides that the Registrar may obtain specimen signatures from stock owners and may require these specimen signatures to be witnessed or signed before an officer of a Registry.

Section 11 - Inscription of stock in names of unincorporated associations

This section specifies the conditions prescribed for the purposes of subsection 22B(1) of the Act that must be met for the Registrar to record stock in the name of an unincorporated association in the register.

Division 3 — Transfer and transmission of stock

Section 12 - Transfers of stock within a Registry

This section specifies the requirements for the transfer of legal or equitable interests in stock for the purposes of subsection 24(1) of the Act to be made in accordance with an approved form set by the Regulator that is executed by both parties and registered at the Registry.

Section 13 - Section 27 of the Act does not apply to certain transactions

This section specifies an alternate scheme for the timing of when transfers of legal or equitable interest can be recorded in the registry, which is, with the exception of Treasury Notes, not within seven days of maturity.

Section 14 - Transmission application

This section specifies that for section 28 of the Act that a transmission application must be in the approved form, accompanied by evidence and given to Registrar.

Section 15 - Prescribed amount of stock for subsection 29(2) of the Act (verification of transmission)

This section empowers the Treasurer to approve transmissions of stock, recorded in the name of a person who has died, of amounts up to and including \$25,000 without the verification required by subsection 29(1) of the Act.

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Section 16 - Death of joint owner of stock

This section specifies what occurs to stock when a joint owner of the stock dies.

Section 17 - Transfer of stock to administrator of certain estates

This section provides that the Treasurer can authorise the transfer of stock to an officer charged with administering the estates of missing persons or persons with disability if certain conditions are satisfied.

Section 18 - Marked transfers

This section allows the Registrar to mark transactions to restrict transfers whilst a security is marked.

Part 4 — Bearer securities

Section 19 - Bearer securities

This section provides that a bearer security is a Treasury Bond, debenture or other prescribed security that was made under subsection 51A(1) of the Act at any time before the commencement of subsection 51A(3) of the Act. This ensures that legacy bearer securities issued prior to 2 July 1984 (the commencement date of subsection 51A(3)) continue to be recognised for the purposes of the Regulations.

Note: Subsection 51A(3) of the Act commenced on 2 July 1984.

Section 20 - Payment of defaced, lost, stolen or destroyed bearer security or coupon

This section allows the Treasurer to authorise payment of previously issued securities under the Act, that are payable by presentation, where the security has been defaced, lost, stolen or destroyed.

Section 21 - Destruction of bearer security or coupon

This section requires the destruction of bearer securities once cancelled.

Part 5 — Application of the Treasury Bills Act 1914

Section 22 - Application of *Treasury Bills Act 1914*

This section sets out which sections of the *Treasury Bills Act 1914* do not apply to different security types in a table format.

Part 6 — Miscellaneous

Section 23 - Delegation of Treasurer's powers

This section allows the Treasurer to delegate powers under the Regulations to certain employees of the Department or the Reserve Bank of Australia. These delegations are administrative in nature and are not legislative instruments for the purposes of the *Legislation Act 2003*, in accordance with items 1 and 2 of the table in subsection 6(1) of the *Legislation (Exemptions and Other Matters) Regulation 2015*. This means they are not subject to disallowance or sunset provisions under the LA.

Section 24 – Approved forms

This section provides that the Treasurer may, in writing, approve one or more forms for the purposes of a provision of the Regulations that requires something to be done in an approved form. This ensures clarity and consistency in administrative processes and aligns

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with current drafting practice by conferring the power to approve forms through a standalone provision.

Part 7 — Transitional provisions

Section 25 - Prescribed securities made out under subsection 51A(1) of the Act

This section specifies that any securities previously issued under section 51A of the Act continue to be prescribed securities for the purposes of the Act.

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